

**§ 29b.11 Sanctions.**

No audit costs may be charged to Federal awards when audits required by this part have not been made or have been made but not in accordance with the provisions of this part. In cases of continued inability or unwillingness to have a proper audit made in accordance with this part, the Department shall consider appropriate sanctions including:

- (a) Withholding a percentage of awards until the audit is completed satisfactorily;
- (b) Withholding or disallowing overhead costs, or
- (c) Suspending Federal awards until the audit is made.

**§ 29b.12 Audit costs.**

The cost of audits made in accordance with the provisions of this part are allowable charges to Federal awards. The charges may be considered a direct cost or an allocated indirect cost, determined in accordance with the provisions of OMB Circulars A-21, "Cost Principles for Educational Institutions," or A-122, "Cost Principles for Nonprofit Organizations," 48 CFR part 31 of the Federal Acquisition Regulations (FAR) or other applicable cost principles or regulations.

**§ 29b.13 Auditor selection.**

In arranging for audit services, institutions shall follow the procurement standards prescribed by OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations."

**§ 29b.14 Small and minority audit firms.**

(a) Small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in contracts awarded to fulfill the requirements of this part.

(b) Recipients of Federal awards shall take the following steps to further this goal:

- (1) Ensure that small audit firms and audit firms owned and controlled by socially and economically disadvantaged

individuals are used to the fullest extent practicable;

(2) Make information on forthcoming opportunities available and arrange timeframes for the audit to encourage and facilitate participation by small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals;

(3) Consider in the contract process whether firms competing for larger audits intend to subcontract with small audit firms and audit firms owned and controlled by socially and economically disadvantaged individuals;

(4) Encourage contracting with small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals which have traditionally audited government programs, and in cases where this is not possible, assure that these firms are given consideration for audit subcontracting opportunities;

(5) Encourage contracting with consortiums of small audit firms as described in paragraph (b)(1) of this section when a contract is too large for an individual small audit firm or audit firm owned and controlled by socially and economically disadvantaged individuals; and

(6) Use the services and assistance, as appropriate, of such organizations as the Small Business Administration in the solicitation and utilization of small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals.

**§ 29b.15 Scope of audit and audit objectives.**

(a) The audit shall be made by an independent auditor in accordance with "Government Auditing Standards" developed by the Comptroller General of the United States covering financial audits. An audit under this part should be an organization-wide audit of the institution. However, there may be instances where Federal auditors are performing audits or are planning to perform audits at nonprofit institutions. In these cases, to minimize duplication of audit work, a coordinated audit approach may be agreed upon between the independent auditor, the recipient,